

SENATOR V. JOHNSON: I'm glad you asked the question.

SPEAKER BARRETT PRESIDING

SPEAKER BARRETT: Senator Loran Schmit on the committee amendments, followed by Senator Ashford.

SENATOR SCHMIT: Senator Vard, you mentioned the procedure for stamping the cigarette taxes...placing the stamps on the cigarettes. Has the committee amendments addressed the problem that I think might be there, and I hope you have, of not allowing a windfall to distributors of the cigarettes for the standing procedure in order that they do not...since they don't have to do any extra work, but the cigarette tax is increased, has there percentage been adequately decreased?

SENATOR V. JOHNSON: Yes, it has, Senator Schmit. The current allowance is 4 percent of...the current allowance is 4 percent of 23 cents worth of tax. If the committee amendment passes we'll have a 27 cent tax, but the current allowance will be 3.4 percent. That is a proportionate reduction in the percentage allowance to offset the tax increase. In other words the total revenues that the cigarette wholesalers receive should be identical after the bill passes because they don't do a shred of additional work in putting on the new stamps.

SENATOR SCHMIT: Thank you. What about the matter of existing inventory? Is there a provision there to guard against a similar windfall for existing inventory?

SENATOR V. JOHNSON: Yes, there is. But I will be very honest with you, Senator Schmit, that has been a hotly disputed item. And the Revenue Committee decided that no windfall shall be reaped by the wholesalers. We did that through an amendment, called a floor tax amendment, it is in the bill. However, within the last 24 hours there has been a breakthrough by the wholesalers in this area with our Director of the Department of Revenue saying that, well, if the floor tax was vitiated in part, which means diminished in part, he would not have an objection, so the floor tax would be vitiated in part if that be your will and the will of 24 others of us, on Select File, by allowing a two-week windfall.

SENATOR SCHMIT: In other words there will be a little bit of a windfall for the distributors in this regard. Would it, by any chance, be the equivalent to the amount of money that Senator